

money, and by inflation. When it is raised by taxation the sacrifice is obvious, and, in nearly all cases, inevitable : we pay our larger war taxes and so we have less to spend on ourselves, and so we go without things. A few people raise money to pay taxes during war by borrowing or drafts on capital, but they are probably so exceptional that their case need not be considered. We transfer our buying power to the Government to be used for the fighters, and so we set free the labour and material that used to go in providing us with comforts and pleasures. our competition for goods is reduced, and so the Government is able to get what it needs out of the nation's production, which is *pro tanto* relieved of our demand. The same thing happens when the Government gets money for the war by borrowing money that we save. We reduce expenditure, and transfer buying power to the State and diminish our demand on the nation's production, or that of its foreign supplies. If the whole war cost had been met by these two methods there need have been little or no increase in prices here, and the cost of the war would have been about half what it has been. Of the two methods, taxation is obviously the cleaner, simpler and more honest. By borrowing, the State hires those who have a margin to put part of it at the disposal of the State at a time of national crisis, instead of taking it from them

outright. As
most of the taxation involved by the
subsequent
debt charge falls on those who have a
margin (as it
obviously should) the result is that the
people who
subscribed to the loans are afterwards
taxed to pay